

Message Text

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FOLLOWING REPEAT STATE 109511 ACTION BONN LONDON
PARIS TOKYO ROME OTTAWA THE HAGUE OECD PARIS MEXICO GENEVA
EC BRUSSELS 10 MAY.

QUOTE

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E.O. 11652: N/A

TAGS: ETRD, USA

SUBJECT: CONGRESSIONAL CONSIDERATION OF POSSIBLE TRADE
RESTRICTIVE MEASURES ON IMPORTED AUTOS

REF: (A) STATE 092035 (B) ROME 6476 (NOTAL)

1. WE HAD INTENDED TO ALERT ADDRESSEE POSTS PROMPTLY OF
WELCOME DEFEAT OF PIKE AMENDMENT DURING HOUSE WAYS AND
MEANS COMMITTEE (WMC) MEETING APRIL 30. IN VIEW OF
COMMITTEE'S INTENTION TO CONTINUE MARK UP OF ENERGY
LEGISLATION DURING WEEK OF MAY 5, TOGETHER WITH REPORTS
THAT PIKE-LIKE PROVISION MIGHT EASILY RESURFACE, WE
DEFERRED CABLE UNTIL FURTHER DEVELOPMENTS BECAME KNOWN.
PRESENT REPORT SUMMARIZES STATE-OF-PLAY IN HOUSE ON THIS
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ISSUE AS KNOWN TO DEPARTMENT AND OTHER AGENCIES.

2. ON APRIL 30 WMC MEETING DEVOTED TO FURTHER MARKUP OF ENERGY LEGISLATION DECISIVELY DEFEATED (28-7) PIKE AMENDMENT, PUT FORWARD LARGELY AS DESCRIBED PARA 3 REF A ALTHOUGH EXACT LANGUAGE NEVER MADE AVAILABLE. A FURTHER PROPOSAL PUT FORWARD BY REP BURKE WHICH WOULD HAVE INCREASED DUTY FROM 3 TO 6 ON IMPORTED VEHICLES NOT MEETING FUEL EFFICIENCY STANDARDS ALSO DEFEATED 18 TO 13. FINALLY, A PROPOSAL INTRODUCED BY REP VANDER VEEN WAS ALSO DEFEATED, BUT HAD CONSIDERABLE SUPPORT, SUBSEQUENTLY DRAWN ON TO PUT THROUGH SIMILAR BUT WATERED DOWN MEASURE DURING WEEK OF MAY 5. (SEE PARA. 4 BELOW).

3. VANDER VEEN PROPOSAL WOULD HAVE ESTABLISHED STANDARDS UNDER WHICH EACH AUTO COMPANY'S TOTAL PRODUCTION WOULD HAVE TO AVERAGE A MINIMUM NUMBER OF MILES PER GALLON SET BY LAW OR PAY A TAX ON EVERY CAR PRODUCED THAT DID NOT MEET THE AVERAGE. PRODUCTION OF FOREIGN MANUFACTURERS IMPORTED INTO THE U.S. ALSO WOULD HAVE HAD TO MEET THESE MILEAGE STANDARDS. FOR PURPOSES OF DETERMINING THE AVERAGE MILEAGE OF CARS PRODUCED, A DOMESTIC MANUFACTURER WOULD HAVE TO SEPARATE CARS PRODUCED ABROAD AND IMPORTED INTO THE U.S. FROM THOSE CARS PRODUCED IN THE U.S. THAT IS, DOMESTIC AUTOS AND AUTOS PRODUCED ABROAD BY US COMPANIES WOULD HAVE TO MEET THE MILEAGE STANDARDS AS IF THEY WERE PRODUCED BY DIFFERENT MANUFACTURERS.

4. DURING WEEK OF MAY 5 REP WAGGONER INTRODUCED PROPOSAL WHICH ALSO PROVIDED FOR AVERAGE FUEL EFFICIENCY STANDARDS TO BE APPLIED TO ANY COMPANY'S TOTAL PRODUCTION, BUT WOULD BEGIN ONLY IN 1978 WITH AN 18 MILES PER GALLON AVERAGE, RISING ANNUALLY THEREAFTER BUT ONLY THROUGH 1980 WHEN 20 MPG WOULD APPLY. INABILITY OF COMPANIES TO INCLUDE THEIR FOREIGN MADE CARS TO MEET AVERAGE WAS RETAINED AS IN VANDER VEEN PROPOSAL. WAGGONER PROVISION WAS PASSED AND IS NOW INCLUDED IN WMC ENERGY CONSERVATION BILL. THERE DOES NOT APPEAR TO BE ANY EXPLICIT TRADE RESTRICTIVE FEATURE TO PROVISION. FOR DOMESTIC CARS, TAX WOULD BE LEVIED ON MANUFACTURER IF AVERAGE MILEAGE OF HIS TOTAL SALES DOES NOT MEET MINIMUM STANDARDS. FOR IMPORTED CARS LIMITED OFFICIAL USE

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TAX WOULD BE LEVIED ON IMPORTER ON THE SAME BASIS. THUS IMPORTS AND DOMESTIC CARS WOULD BE TREATED EQUALLY FOR TAX PURPOSES. WE ARE INFORMED THAT CHRYSLER CORP. HAS NEVERTHELESS OBJECTED STRENUOUSLY TO PROVISION.

5. WE ARE ALSO INFORMED THAT DINGELL SUBCOMMITTEE OF HOUSE FOREIGN AND INTERSTATE COMMERCE COMMITTEE AGREED TO INCLUDE AVERAGE FUEL STANDARD REQUIREMENT SIMILAR TO

WAGGONER PROPOSAL IN ITS PROPOSED LEGISLATION. THIS PROVISION SUBSTITUTES FOR EARLIER REBATE PROVISION APPLYING ONLY TO DOMESTIC CARS (SEE PARA. 2 REF A) WHICH WAS VOTED DOWN. WE ARE NOT CLEAR HOW BOTH ENERGY BILLS ARE TO BE INTER-RELATED, BUT UNDERSTAND THAT WMC WILL SEEK TO MERGE THEM IN DUE COURSE.

6. CURRENT STATE-OF-PLAY INDICATES THAT THREAT OF IMPORT RESTRICTIVE MEASURES SEEMS TO HAVE RECEDED WITH DEFEAT OF PIKE PROPOSAL, AT LEAST FOR PRESENT TIME. IMPORTANT EFFORT UNDERTAKEN BY STR, COMMERCE, STATE AND PRIVATE GROUPS SEEMS THUS TO HAVE EXERTED POSITIVE INFLUENCE ON KEY MEMBERS OF WMC. IT IS CLEAR, HOWEVER, THAT ISSUE OF RESTRICTIONS ON AUTO IMPORTS REMAINS VERY MUCH ALIVE IN THE CONGRESS BECAUSE OF CONTINUING HIGH UNEMPLOYMENT IN THE US AUTO INDUSTRY AND IMPORT PENETRATION IN THE DOMESTIC AUTOMOTILE MARKET. BOTH THE LABOR UNIONS AND SEGMENTS OF THE INDUSTRY HAVE BEEN PRESSING FOR SOME RELIEF FROM IMPORTS AND PROBABLY WILL CONTINUE TO DO SO IN EVERY AVAILABLE CONGRESSIONAL FORUM, AND AS ENERGY LEGISLATION MOVES THROUGH HOUSE FLOOR DEBATE AND LATER SENATE CONSIDERATION.

7. AS ILLUSTRATION OF PROBLEM, WE ARE INFORMED THAT SUBCOMMITTEE ON LABOR STANDARDS OF HOUSE COMMITTEE ON EDUCATION AND LABOR IS PRESENTLY CONSIDERING RESOLUTION CALLING FOR A) ANALYSIS OF EFFECT AUTO IMPORTS ARE HAVING ON DOMESTIC UNEMPLOYMENT AND B) REQUEST TO TREASURY THAT IT CONDUCT ANTIDUMPING INVESTIGATIONS ON ALL IMPORTED CAR MANUFACTURERS. HEARINGS ON THIS RESOLUTION ARE REPORTEDLY TO TAKE PLACE IN ABOUT TWO WEEKS TIME. POSTS SHOULD BE AWARE THAT IT IS TREASURY POLICY NOT TO INITIATE INVESTIGATION UNDER THE ANTI-DUMPING ACT LIMITED OFFICIAL USE

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UNLESS A VALID COMPLAINT HAS BEEN RECEIVED. TO DATE NO SUCH COMPLAINT HAS BEEN FILED AND THERE ARE NO INDICATIONS THAT EITHER THE INDUSTRY OR THE UNION INTEND TO FILE SUCH A COMPLAINT.

8. ADDRESSEE POSTS MAY DRAW ON FOREGOING ON IF-ASKED BASIS, STRESSING AS APPROPRIATE DEFEAT OF EXPLICIT TRADE RESTRICTIVE MEASURES. THEY SHOULD, HOWEVER, CONTINUE TO DOWNPLAY ISSUE SINCE STATE OF DEBATE SUBJECT TO CONTINUING CHANGE AND UNCERTAINTY. KISSINGERUNQUOTE

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